

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2549 – SB 2533

February 19, 2010

SUMMARY OF BILL: Exempts from sales and use tax the purchase of motor vehicles by members of a uniformed service in active military service of the United States who are stationed in another state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$1,040,400

Decrease Local Revenue – Exceeds \$356,600

Assumptions:

- According to the U.S. Department of Defense, the FY07-08 Performance Report, there were 1,401,757 individuals considered active duty military personnel from the United States and territories.
- The Department of Revenue estimates that 1.9 percent are from Tennessee (26,633)
- A minimum 25 percent (6,658) are estimated to be stationed out of state.
- These individuals purchase new motor vehicles on an average seven-year cycle. As a result, at least 951 new motor vehicles would be purchased each year by active duty military personnel who are from Tennessee but stationed out of state ($6,658 / 7 = 951$).
- The average price of motor vehicles purchased is estimated to be \$15,000.
- Minimum taxable sales are estimated to be \$14,265,000 per year ($951 \times \$15,000 = \$14,265,000$).
- The current state sales tax rate is seven percent.
- The single article sales tax rate is 2.75 percent levied on any amount above \$1,600, but less than \$3,200.
- The average local option sales tax rate is estimated to be 2.5 percent.
- The minimum decrease to state revenue attributable to the seven percent state tax rate is estimated to be \$998,600 per year ($\$14,265,000 \times 7.0\% = \$998,550$).
- The minimum decrease to state revenue attributable to the state single article tax rate is estimated to be \$41,800 per year ($951 \text{ vehicles} \times \$1,600 \times 2.75\% = \$41,844$)

- The total decrease to state revenue is estimated to exceed \$1,040,400 per year (\$998,600 + \$41,800 = \$1,040,400).
- The decrease to local government revenue is estimated to exceed \$356,600 per year (\$14,265,000 x 2.5% = \$356,625).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc